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SUBJECT: BASQUE JOURNALIST DOUBTS ETA READY FOR PEACE DEAL

¶1. (SBU) Oscar Beltran, a journalist for the Basque Region daily "El Correo" and a former International Visitor grantee, recently shared his observations regarding rumors of an upcoming truce declaration by ETA. He has covered ETA for several years and reports extensively on the group. Beltran expects ETA to announce a truce soon, most likely on Good Friday in an effort to draw parallels between the Northern Ireland peace process and the situation in the Basque Region, part of ETA's "long-held dream of internationalizing the conflict." He said the rumors of a possible truce obscured increasing tensions in the region, which he ascribed to a sense among ETA members that they have recovered from Spanish and French police actions in 2004 and 2005 that decimated their leadership and can therefore resume the political and military offensive.

¶2. (SBU) Beltran expressed concern that well-intentioned Spanish government officials may believe that they are making progress with ETA as a result of negotiations with the organization's political wing, while in reality the ETA military wing remained fully in control. "The ETA military leadership doesn't care about Arnaldo Otegi (leader of ETA political front group "Batasuna"), they operate according to their own logic and make the decisions without consulting the political leadership." In his view, ETA's military wing did not have a realistic appreciation of what was achievable and believed it was operating from a relatively strong position, an attitude that was not conducive to good faith negotiations.

¶3. (SBU) Beltran noted with concern that ETA carried out bomb attacks to mark the March 9 general strike called by Batasuna to protest the deaths in prison of two ETA members (one by suicide, the other from natural causes). He said that although the strike was a total failure, the bombings were worrisome since ETA had not previously joined in direct support of political actions, such as the strike. (NOTE: Spanish officials were set to charge Otegi and other Batasuna leaders with inciting the March 9 violence, but the examining judge delayed a March 13 hearing due to Otegi's poor health. END NOTE).

¶4. (SBU) According to Beltran, ETA has significantly ramped up the extortion of Basque businesses to collect "revolutionary taxes." He attributed this to both an increased need on the part of the organization and to the recovery of ETA's "extortion wing" from the 2004 arrest of Maria Soledad Iparragirre, who was in charge of collecting these funds. Beltran said ETA was making up for lost time and had probably run out of "legitimate" funds diverted from public coffers when Batasuna was a legal political entity, necessitating a crash program to generate funds for ETA and Batasuna activities. He was struck by the fact that ETA was using strong-arm tactics against even businesses known to be sympathetic to radical nationalists, sending company owners pictures of their children as a clear threat of violence.

15. (SBU) Beltran said the Basque Socialist Party felt tremendously confident that it could displace the Basque moderate PNV as the largest party in the region. He described the PNV as riven by ideological and personal struggles and clearly losing ground to the Socialists on one side and to the radical nationalists on the other. As for the Popular Party, once the second power in the Basque Region, Beltran said the party was in disarray and still reeling from its fall to third place in the Basque Parliament in the March 2005 elections, behind the PNV and the Socialists. He said, however, that observers of the Basque political scene were more focused on the 2007 municipal elections than on regional-level politics, since Batasuna stands to make significant gains at the local level if an ETA truce leads to the legalization of the group by the Zapatero government. Almost certainly, the PP would wage a pitched political campaign to keep Batasuna out of the political process, setting the stage for a major legal and legislative battle at the national level.

AGUIRRE